



---

# Republican Policy Committee

---

Don Nickles, Chairman Kelly Johnston, Staff Director 347 Russell Senate Office Building (202) 224-2946  
April 4, 1995

## Most Ethical Administration — NOT

*"For too long, those who play by the rules and keep the faith have gotten the shaft, and those who cut corners and cut deals have been rewarded."*

Presidential Candidate Bill Clinton,  
New York City, July 16, 1992

In 1992, candidate Bill Clinton made ethics in government a major issue. Repeatedly, during and after the election, Bill Clinton promised to end business as usual in Washington and restore public confidence in the political process.

There's ample reason why the Clinton Administration hasn't been bragging much lately about its ethical record. Bill Clinton not only failed to deliver on his promise, but Americans have watched in embarrassment as the Clinton Administration continues to serve up three independent prosecutors and numerous other resignations in the face of ethical lapses and questionable actions, from the "travelgate" scandal to a sweetheart mortgage deal. In addition, the White House has repeatedly misled the media and the public about its own ethical shortcomings. At least 11 events or issues involving Clinton Administration scandals, misdeeds, and other ethical lapses have been detailed in the media:

- Whitewater and Madison Guaranty Savings and Loan: resignations and guilty pleas continue
- White House Travel Office Shakedown
- Commerce Secretary Ron Brown: misleading Congress by failing to disclose financial dealings
- HUD Secretary Henry Cisneros: conflicting information about payments to his mistress
- Former Agriculture Secretary Mike Espy: Illegal Gifts
- White House Advisor George Stephanopolous: a Sweetheart Mortgage
- Passportgate: Clinton appointees ransack Bush Administration personnel files
- Unprecedented White House Access for Certain F.O.B.'s
- White House Payroll Irregularities
- Questionable Lobbying Activities Within the Executive Branch
- The \$13,000 Marine Helicopter Golf Excursion

## #1 Whitewater: Guilty Pleas, Resignations Mount

- Independent Counsel Kenneth Starr this month won his fourth guilty plea in the growing Whitewater scandal, involving the relationship between a bad real estate deal and the \$60 million taxpayer-funded bailout of the failed Madison Guaranty Savings and Loan. More than one Clinton Administration official has resigned over questionable actions taken in relation to the Whitewater scandal, including White House counsel **Bernard Nussbaum**, Associate Attorney General **Webster Hubbell**, and Deputy Treasury Secretary **Roger Altman**. The following persons have negotiated guilty pleas in exchange for cooperation with the special prosecutor.
  - Whitewater real estate agent Chris Wade, who pleaded guilty last month to concealing property holdings from a bankruptcy court.
  - Former Associate Attorney General Webster Hubbell, who pleaded guilty in December 1994 to defrauding the Rose Law Firm and its clients of \$395,000 and evading more than \$120,000 in income taxes.
  - Little Rock real estate appraiser Robert W. Palmer, who pleaded guilty in December to producing false entries in Madison financial statements designed to mislead Federal Home Loan Bank Board examiners.
  - Former Municipal Judge David Hale, who pleaded guilty last year to two counts of bankruptcy fraud and making a false application and certification to a financial institution. Hale was owner of a company that provided federal guaranteed loans to disadvantaged businesses. Hale alleges that Clinton pressured him to illegally issue a \$300,000 loan to his Whitewater partner Susan McDougal, who reportedly used some of its proceeds to pay Whitewater debts. She eventually defaulted on the loan.
- Senate Banking Committee Chairman Alfonse D'Amato has announced his intention to conduct Whitewater hearings in May, after consultation with the independent counsel.

## #2 White House Travel Office Shakedown

- The White House finally admitted to error in the manner in which seven staff members of the White House Travel Offices were fired, and in its using the FBI's involvement as a rationale for the dismissals. Media reports suggested that Hollywood producer Harry Thomason, a non-White House employee with a high-level White House residence pass and part owner of a charter service which had unsuccessfully bid for White House business in the past, largely instigated the firing. Accusations were leveled involving political favors and nepotism, involving Catherine Cornelius (a distant cousin of the President), Thomason, and others.

Respected political columnist David Broder characterized this travelgate saga as "*so shoddy, so saturated with petty manipulations, snooping and spying, rampant cronyism and tacky deceits that it made you cringe.*" (*Washington Post*, July 14, 1993)

### **#3 Ron Brown and Failure to Disclose Financial Dealings**

- The Justice Department is investigating whether Commerce Secretary Ron Brown violated federal rules by failing to properly disclose his questionable financial dealings in a failed communications company in which he invested no money and very little time while collecting \$400,000 in 1993 income.
- In February 1995, 22 House members called on Commerce Secretary Ron Brown to resign over the matter. It has led to an investigation by the House Government Oversight Committee, chaired by Rep. Bill Clinger (R-PA), into a complex web of financial dealings involving Ms. Noland Hill, a business associate of Brown's and owner of the company in question, First International Corporation. Ms. Hill, a large contributor to Democratic party causes, in 1993 defaulted on a \$26 million loan to the company. The accuracy of Brown's 1993 financial disclosure statement has also been questioned.
- Senate Banking Committee Chairman Alfonse D'Amato has also asked for FDIC and RTC financial records involving Noland Hill, as well as First International Corp.
- Attorney General Janet Reno has not yet decided whether to ask a special three-judge panel of federal appeals court judges to name an independent counsel, or special prosecutor. If she does, it will be the fourth independent counsel appointed to investigate alleged wrongdoing by a member of the Clinton Administration (others involve Whitewater, Mike Espy and Henry Cisneros).

### **#4 Henry Cisneros and Payments to his Mistress**

- On March 13, 1995, Attorney General Janet Reno quietly filed an application for an independent prosecutor to a special three-judge panel of federal appeals court judges. "In effect," wrote the *New York Times* (March 15), "Ms. Reno said that Mr. Cisneros lied to investigators before his appointment in 1993, significantly understating how much money he had given to Linda Medlar, his former mistress."

### **#5 Mike Espy's Illegal Gifts**

- Last fall, Agriculture Secretary Mike Espy resigned in the face of an independent counsel investigation into whether he illegally accepted free sporting event tickets and airplane travel from the Arkansas poultry giant, Tyson Foods, Inc., in violation of a 1907 meat inspection law. Espy's problems, according to media reports of

information before the special prosecutor, include a possible back-dated, "faked" memo proving he was a "tough regulator" on poultry producers.

- Special prosecutor Donald Smaltz has broadened the investigation into Tyson's *"sprawling operations and its ties to President Clinton, who is already facing an independent counsel investigation into Whitewater"* (Washington Post, February 9, 1995).

## #6 The Stephanopolous Sweetheart Mortgage

- On May 23, 1994, White House Senior Advisor George Stephanopolous sealed a \$835,000 commercial real estate deal financed with a favorable, \$668,000 mortgage from a NationsBank mortgage subsidiary, even though he reportedly was unqualified for the loan based on his salary and net worth. NationsBank is owned by Hugh McColl, a close friend of and contributor to Bill Clinton. *"Former bank regulators question whether a loan of this size is prudent for a person with a net worth between \$50,000 and \$100,000 and whose annual income is \$125,000"* (Jack Anderson and Michael Binsten, *The Washington Post*, July 21, 1994).

## #7 "Passportgate"

- After making a big deal about a Bush Administration incident involving the inappropriate examination of passport files, Clinton's Administration took 69 days ("I will fire them the next day," Candidate Clinton said in November 1992) to fire two low-level State Department aides for violating the Privacy Act and illegally examining the personnel files of a number of Bush Administration aides, and divulging information to a *Washington Post* columnist. Despite convincing evidence of criminal violations of the Privacy Act, the Justice Department declined to prosecute.

## #8 Unprecedented White House Access

- In 1993, several major newspapers noted that a number of Clinton associates who were not government officials had broad White House access.
  - At least five outside political advisors, most with high paying clients, retained regular White House passes allowing them frequent access throughout the White House complex, including political consultants James Carville, Paul Begala, Mandy Grunwald and pollster Stan Greenberg (*Washington Post*, Nov. 9, 1993).

- Paul Begala, a nongovernment employee who represents several high-paying clients whose names he does not need to disclose, helps polish presidential speeches (*New York Times*, April 1, 1993).
- Harold Ickes, prior to his appointment to the Clinton White House staff, was the subject of a September 21, 1993, *Wall Street Journal* story about how he continued to parlay his White House access and his pass into lobbying contracts.

## #9 White House Payroll Irregularities

- A 1993 GAO report requested by U. S. Rep. Jim Ross Lightfoot (R-IA) documents 25 instances of White House payroll discrepancies. They include the practice of simultaneously paying people from the transition payroll and White House accounts; failure on the part of 14 of the highest ranking Clinton Administration officials to file the required financial disclosure statements; retroactive appointments given to 230 people; and retroactive pay increases in amounts ranging from \$1,000 to \$25,000 per year made to 22 individuals [Source: House Republican Conference].

## #10 Questionable Lobbying Activities

- Labor Secretary Robert Reich came under fire from House and Senate members of the Joint Economic Committee, including its chairman, Senator Connie Mack, for memoranda and political activities, possibly in violation of the Anti-Lobbying Act (18 USC § 1913). Memos obtained by the *Washington Times* (March 17, 1995) appear to contradict statements by Reich to the Joint Economic Committee that no political tasks were assigned to Labor Department employees. Reich's memos called on employees to collect information and perform specific assignments related to Congressional Republicans' political and legislative agendas.
- On March 2, 1995, U. S. Rep. David McIntosh (R-IN) wrote to EPA Administrator Browner about EPA's distribution to more than 150 nongovernmental organizations of a fact sheet which was critical of H.R. 9, regulatory reform legislation. 18 USC § 1913 states, "*No part of the money appropriated by any enactment of Congress shall, in the absence of express authorization by Congress, be used directly or indirectly to pay for any personal service, advertisement, telegram, telephone, letter, printed or written matter, or other device, intended or designed to influence in any manner a Member of Congress, to favor or oppose, by vote or otherwise, any legislation or appropriation by Congress...*"

## #11 The \$13,000 Marine Helicopter Golf Trip

- Senior White House aide David Watkins (Assistant to the President for Administration) was forced to resign last year after it was revealed he had used a presidential helicopter to transport himself and some friends to a suburban Maryland country club for golf. (Or, was it two helicopters involved?)

### Other Questionable Activities

This is not necessarily an inclusive list. It could and may later be expanded to include scores of other questionable activities, including many that fall under the broad umbrella known as Whitewater, including:

- Mrs. Clinton's \$100,000 profits from cattle futures when her husband was governor-elect of Arkansas
- Mishandling and missteps by the White House in replacing and upgrading its telephone and computer systems
- Questionable travel practices by Veterans Affairs Secretary Jesse Brown, who, media reports indicate, traveled 20 times in 20 months to his hometown of Chicago at government expense
- Possible misleading of a federal judge on the part of White House health-care guru Ira Magaziner regarding the composition of the secret White House health care task force
- The mishandling of White House pass investigations that led to the demotion of associate counsel William Kennedy
- Several instances of the failure to pay "nanny taxes" on a timely basis.

### Notable Quote

*"To borrow a phrase from the law of libel, the Clinton White House often seems to be following a pattern of knowing or reckless disregard for the truth. Apparently putting its short-term political interests ahead of accuracy, it regularly fails to provide trustworthy information — whether out of inability, unwillingness or both."*

Ruth Marcus, *Washington Post* White House reporter,  
August 21, 1994

---

Staff Contact: Kelly Johnston, 224-2946